

## **Investment Options with your IRAs and Self-Directed Qualified Plans**

The owners of IRAs Self-Directed Qualified Plans have option to invest retirement plan funds in Real estate. Here, it is important to note that the Real property should be purchased or sold for your benefit using your qualified plan and or IRA funds.

### **Type of property your IRA can own**

Single family and multi-unit homes, apartment buildings, co-ops, condominiums, commercial property, improved or unimproved land, whether it's leveraged or unleveraged, may be purchased by your Qualified Plan or your IRA.

### **Financing the purchase**

You may finance or leverage any property you purchase from your Plan. The property is the collateral for the loan. As the property is an asset of the plan, repayment of the underlying debt must come from contributions to or income from the property or other assets in the Plan.

### **Ensuring the tax deferred status of the account**

The entire transaction must flow through the tax free or tax deferred retirement account. The escrow must be opened by the account, and not in the name of the beneficial owner. Vesting is always in the name of the account. Only Qualified Plan or IRA funds may be used as good faith deposits, down payments, or purchase money.

If the title is vested in individual account holders names, it may not be subsequently sold to the tax deferred or tax free account. If qualified Plan or IRA funds are used to fund a transaction, and the title or escrow companies will not place title in the trustee or custodial name, administrative feasibility permits a quit claim to the Plan in the same instant that the transaction is consummated.

### **Buying or selling fractional interests in property**

While fractional interests in real property may be purchased or sold, such interests may not be bought from the beneficial owner of the Plan or IRA or Members of their family or business, except siblings.

### **Additional requirements**

When purchased, these properties become assets of your Plan or account. In addition:

- You may not personally own property which you intend to purchase with Plan funds and you must ensure that your intended purchase is not prohibited transaction.
- It must be for investment purposes only.
- Neither you nor your spouse, nor your family members (other than siblings) may have owned the property prior to its purchase by your plan.
- Neither you nor your family members (other than siblings) may live in or lease the property while it's in your plan.
- Your business may not lease or be located in or on any part of the property while it's in your plan.
- You may receive any property as a distribution from your Plan as a retirement benefit.

### **Managing the property**

You may receive a fee for managing the assets in your IRA. Asset management fees are paid to you, or others who you designate, from your Plan upon receipt of your bill. You will receive a 1099 for such fees for the year in which you are paid. All of the income and expenses are for the benefit of the account. This includes all property rental or lease income, taxes, property management and repairs. Invoices for expenses may be submitted to the Plan administrator and are paid on Plan owner's approval. Record keeping and administration expenses may be paid through the Plan.

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**The above information is of general nature and cannot be regarded as tax or legal advice. For more information, please call Anne Tahim, CPA at 714-772-4744.**